



**Breakaway
Research**

January 2013

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Company Information

ASX Code	ERL
Share Price A\$	0.05
Ord Shares	171.6m
Options	13.9m
MCAP A\$	8.4m
Cash (est. Jan 2013) A\$	0.5m
Total Debt	-
Enterprise Value	19.9m

Directors

Chairman	Tom Revy
Managing Director	David Sargeant
Executive Director	Adrian Jessup
Exploration Manager	David Ross

Substantial Share Holders

Trones Investments Pty Ltd	3.9%
RBJ Nominees Pty Ltd	3.0%
Blamco Trading Pty Ltd	2.4%
Kirkdale Holdings	2.2%
Agens Pty Ltd	2.2%

Company Details

Address	53 Canning highway, Victoria Park, Perth WA 6100
Phone	+618 9361 3100
Web	www.resourceempire.com.au

1 Year Price Chart



Source: Bloomberg

Empire Resources (ERL)

Acquisition of Point Kidman gold project augments prospective exploration portfolio

Recommendation: Speculative BUY

Company Update

Key Points

- **Reinterpretation of geophysical data at Yuinmery highlights 'new' targets which may link A Zone and Just Desserts**
- **Drilling at A Zone set to re-commence ahead of a maiden JORC Resource (expected in the coming months)**
- **Acquisition of the Point Kidman gold exploration project made under highly attractive terms**
- **Numerous gold nuggets identified in 2.5km anomalous zone**
- **Point Kidman exhibits similar geological characteristics as the nearby and world renowned 4Moz Granny Smith gold mine.**

An ongoing drilling campaign at the 'A Zone' prospect is likely to lead to a maiden JORC resource in the coming months. Reinterpretation of geophysical data has identified two new drilling targets between the Just Desserts deposit and A Zone. If this area is mineralised, it would significantly enhance the economics of the project. The acquisition of the Point Kidman gold project, near Laverton, was done so under highly attractive terms and provides a prospective early stage gold exploration project.

Investment Thesis

Empire's flagship Yuinmery project currently hosts the Just Desserts deposit with a JORC (Indicated and Inferred) resource of 1.07Mt @ 1.82% Cu and 0.8g/t Au. The nearby 'A Zone' prospect, located ~1.3km north of Just Desserts, has recently been the subject of a drilling campaign where intercepts include **10m @ 1.8% Cu and 0.87g/t Au** from 222m and **19m @ 1.8% Cu and 0.3g/t Au** from 240m with mineralisation still open at depth. A new 6 diamond hole drill program is set to commence imminently ahead of the estimation of a maiden JORC Resource.

Reinterpretation of geophysical data over the Yuinmery project has identified an additional two 'extensional targets' between A Zone and Just Desserts which appear on the same horizon and may well link the two deposits. The identification of mineralisation in this area would have major positive implications, significantly enhancing the economic viability of the project.

Empire also recently acquired a 70% interest (under highly attractive terms) in a prospective gold exploration project at Point Kidman, 40km east of Laverton, WA. No previous drilling or old gold workings exists over the licence area, however recent prospecting has identified a 2.5km anomalous gold zone where numerous gold nuggets have been found. The anomalous zone demonstrates similar geological characteristics to that of the nearby and world renowned 4Moz Granny Smith Gold Mine.



Company Update

Yuinmery, WA: Copper -Gold

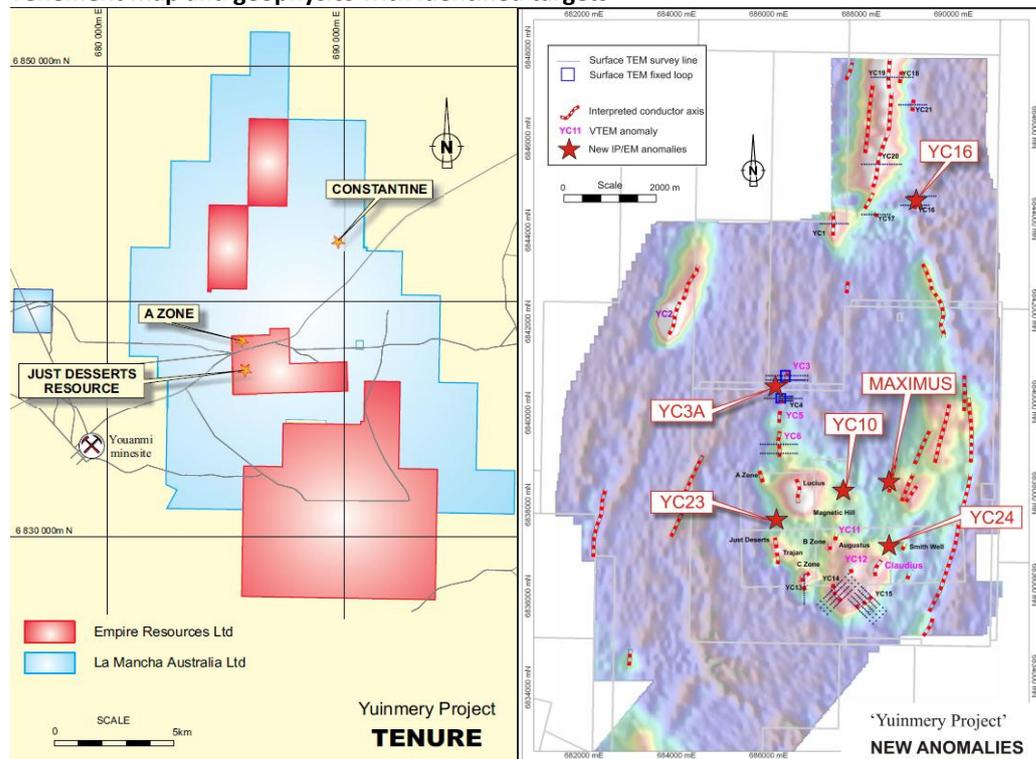
100% interest and option to earn 91.44% in adjoining tenements

The most advanced project within the Empire portfolio is the Yuinmery copper-gold project, located ~300km north-west of Kalgoorlie, WA. The project, which includes an option agreement to acquire a 91.44% interest in the adjoining tenements, encompasses a total area of ~308km².

JORC Resource of 1.07Mt @1.08% Cu and 0.8g/t Au

Within the Yuinmery project, Empire has already identified a JORC Resource of 1.07Mt @ 1.8% Cu and 0.8 g/t Au (at a cut-off of 1% Cu) at the 'Just Desserts' deposit which lies between 50 and 250 meters below surface.

Tenement map and geophysics with identified targets



Numerous targets high priority targets identified

Source: Empire Resources

Of particular interest to Breakaway is the 'A Zone' prospect which is located ~1.3km north of Just Desserts. A 10,785m drill program carried out in 2012 (with the majority drilled at A Zone) intersected numerous 'ore grade' intercepts including 10m @ 1.8% Cu and 0.87g/t Au from 222m and 19m @ 1.8% Cu and 0.3g/t Au from 240m, with mineralisation still interpreted to be open at depth.

Maiden JORC resource at A Zone due Q1 2013

Empire is currently planning to drill a further six diamond holes at A Zone (due commence Q1 2013) ahead of a **maiden JORC resource estimate**.

Just Desserts and A Zone possibly connected

Recent reinterpretation of ground EM surveys has identified two 'new' targets at the YC23 prospect which is located between the A Zone and Just Desserts deposit.

Just Desserts may well be connected to A Zone

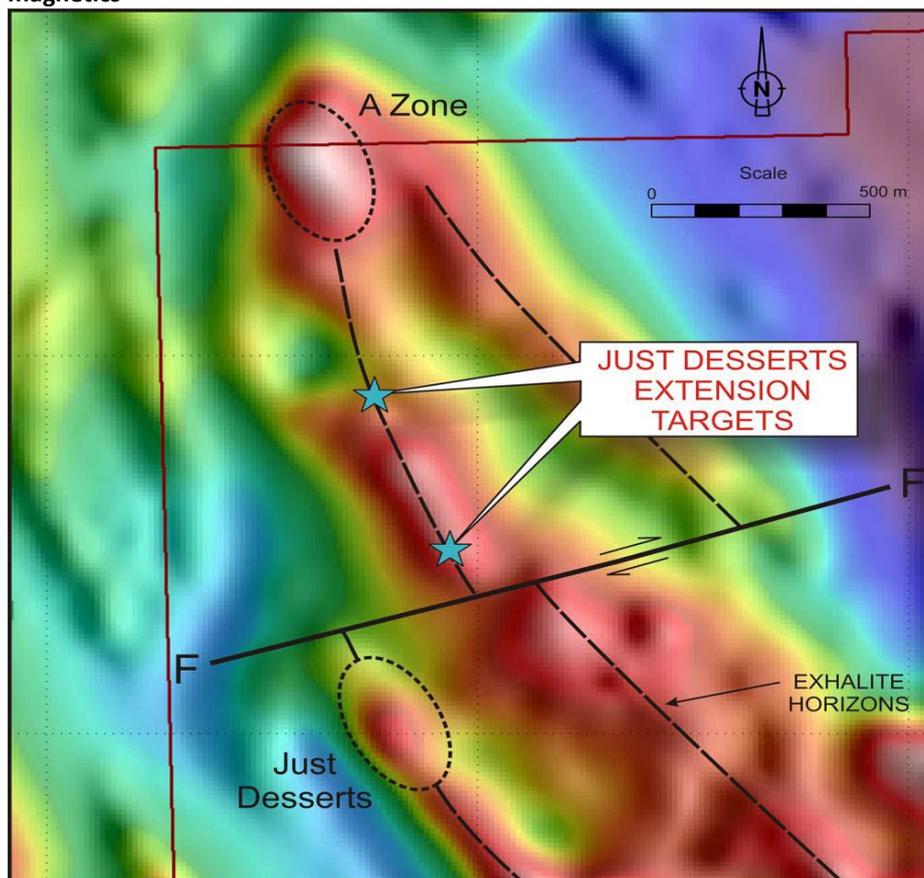
Geological re-interpretation suggests that the A Zone and YC23 prospects lie within the same horizon as Just Desserts however, faulting has caused the Just Desserts deposit to be displaced 350m to the west (as illustrated in the following image).



New EM targets in relation to A Zone and Just Desert deposits, overlaid on magnetics

Extension targets to be drill tested

If mineralisation is identified in the extension targets, it would have profound implications on decision to mine



Source: Empire Resources

The introduction of these additional targets (represented by the 'blue stars') within the same interpreted mineralised horizon gives rise to the potential of a continuous mineralised trend. The areas have not yet been the subject of any drilling or sampling campaigns, however, the proving of mineralisation within this area could have a significant impact on the size and ultimately the decision on whether to advance the Yuinmery project into production.

Point Kidman, WA: Gold

80% interest

Terms of acquisition

New highly prospective gold project

Empire recently agreed to acquire an 80% interest in the Point Kidman gold exploration project from two private companies, for total consideration of A\$135,000 and the issue of 3 million shares in Empire Resources (1st 1 million share tranche issued, 2nd and 3rd to be issued over the next 12 and 24 month period). Assuming the current share price of A\$0.049, total consideration equates to ~A\$282,000.

Following the acquisition, Empire entered into another agreement for the right to earn up to 80% in E38/2137 and E38/2701. Under the terms agreed, Empire will partially reimburse past expenditure on the licences (\$15,000) and fund all future gold and base metal exploration.

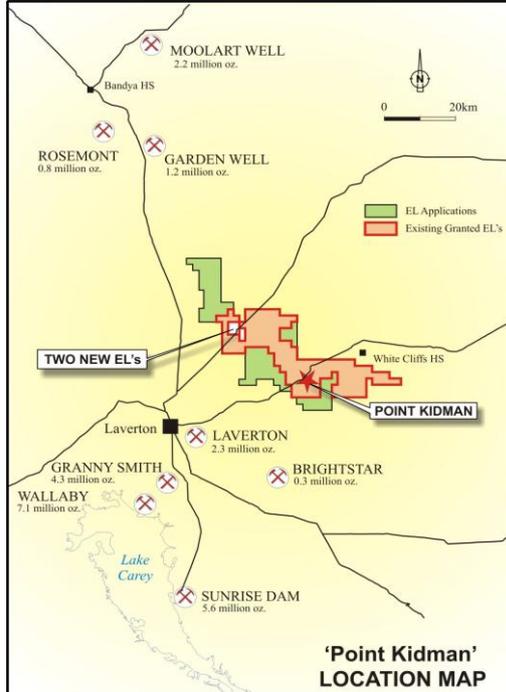


Prospective Lease Holding

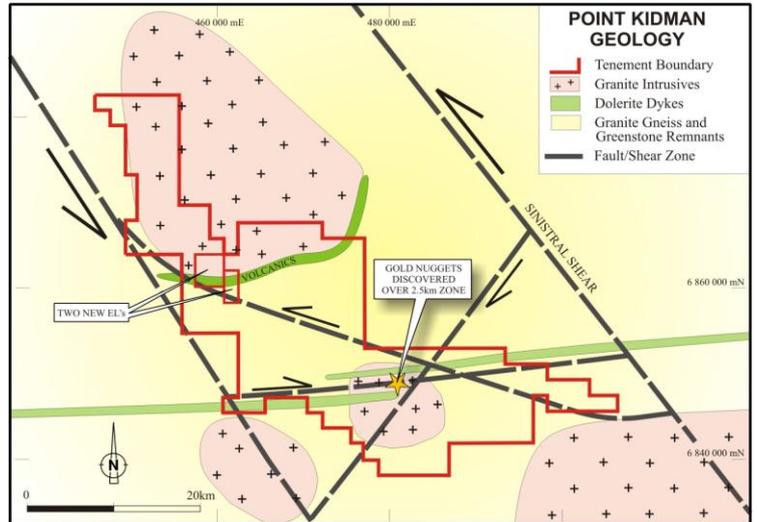
Large license area in prolific gold mining region

The Point Kidman project is located within the Yilgarn Craton, ~40km east of Laverton, WA, and currently has a footprint of ~800km². The region has produced in excess of 28Moz and is well regarded for hosting world class gold projects such as Sunrise Dam, Granny Smith and the Wallaby mines.

Tenement Location Map and Local Geology



Source: Empire Resources



No previous drilling or gold workings

No previous drilling or gold workings have been recorded in the area although recent prospecting (using metal detectors) has identified a 2.5km zone where numerous gold nuggets have been found. The anomalous area also overlies extensive quartz vein swarms and stockworks within granite host rock associated with a major regional fault structure (similar to the Granny Smith deposit which is partially hosted within granite). Encouragingly, this area is also not covered by any Heritage claims.

Gold nuggets found at Point Kidman

Numerous gold nuggets identified



Source: Empire Resources

Upcoming Exploration

Empire is currently acquiring geophysical data ahead of a more detailed structural study. Based on the outcome of this work, a drill program will then be scheduled.



Penny's Find, WA - Gold

60% interest – seeking to divest from this project

The Penny's Find gold project already hosts a near surface JORC compliant resource of **314,000t @ 5.2g/t Au for 52,500oz**. The project is located on a granted mining lease and is in close proximity to the mining 'hub' of Kalgoorlie.

Empire recently entered into a staged sale agreement with JV partner Brimstone Resources (40% interest) whereby Brimstone can either acquire 100% of the project by payment of A\$2.5m by June 30 2013 or earn up to a 75% interest by continuing exploration and development.

Resource expanding at depth

An eight hole RC and diamond drill program has recently been completed at Penny's Find which was designed to upgrade the current resource in both size and JORC category as well as to aid mine planning and provide samples for metallurgical test work. Drilling highlights include **3m @ 8.89g/t Au** from 173m, **3m @ 17.41g/t Au** from 66m and **8m @ 5.16g/t Au** from 155m.

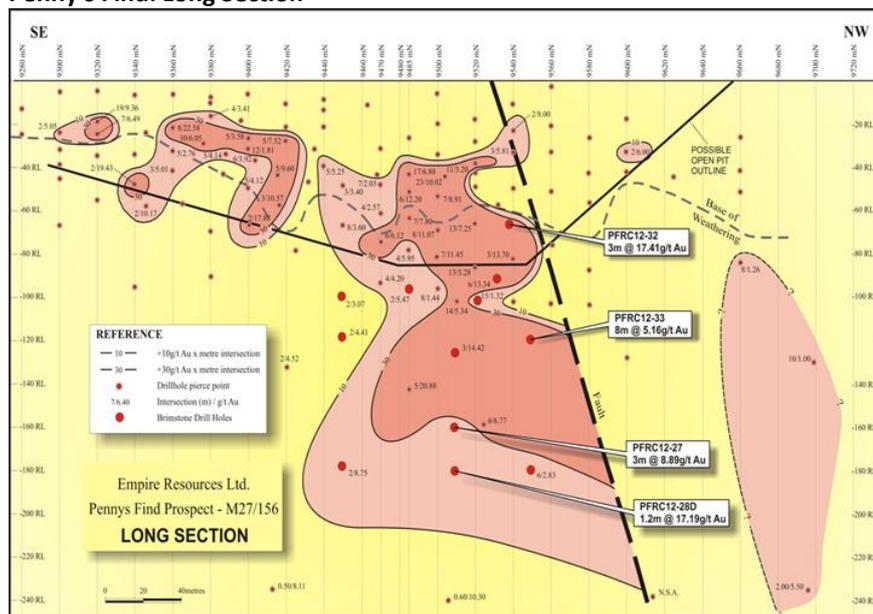
Possibility for toll treatment

Opportunity exists for a small scale, open pit operation which could potentially be followed up with an underground mining operation. Currently, the resource does not justify a stand-alone plant and toll treatment would be the likely processing route.

Empire has stated that they expect some form of transaction on the Penny's Find project in 2013.

Corporate activity expected in 2013

Penny's Find: Long Section



Source: Empire Resources

Wynne, WA - Copper

Early stage exploration – 100% interest

Wynne consists of a granted EL covering an area of 113km², located in the northern Gascoyne region of WA, ~260km north-east of Carnarvon.

Early stage copper exploration

A limited drilling campaign identified highly altered and sheared mafic rocks containing copper, lead and zinc sulphides. The best drill intersection assayed 1m @ 3.9% Cu between 5-6m depth. Exploration is still at an early stage however the highly altered mafic rocks are a good indicator that further mineralisation may be present.



Analyst Verification

We, Grant Craighhead and Andrew McLeod, as the Research Analysts, hereby certify that the views expressed in this research accurately reflect our personal views about the subject securities or issuers and no part of analyst compensation is directly or indirectly related to the inclusion of specific recommendations or views in this research.

Disclosure

Breakaway Investment Group (AFSL 290093) may hold direct and indirect shares in the Empire Resources. It has also received a commission on the preparation of this research note.

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